

- (a) have regard to the Bulletin "Review of Interim Financial Information" issued by the Auditing Practices Board (or any body which replaces the Auditing Practices Board from time to time) or any other bulletin or notice issued by the Auditing Practices Board (or any replacement body) from time to time which replaces that Bulletin; and
 - (b) state whether in his opinion on the basis of his review he is aware of any material modifications which should be made to that Interim Financial Statement as presented.
- 20B.11
 - (a) The Licensee shall publish the Interim Financial Statements as soon as reasonably practicable and, in any event, within four months after the end of the period to which they relate, together with the relevant Auditor's report required under paragraph 20B.10.
 - (b) For the purposes of sub-paragraph (a), the provisions of paragraph 20B.7 (b) to (d) inclusive shall apply to Interim Financial Statements as they apply to Financial Statements and Restated Financial Statements with the substitution for references to Financial Statements and Restated Financial Statements of references to Interim Financial Statements.
- 20B.12
 - (a) Subject to paragraphs 20B.16 and 20B.18, the Accounting Documents may be amended as the Director and the Licensee agree from time to time in writing.
 - (b) The Licensee shall not make any change to the way in which it attributes costs, revenues, assets and liabilities if that change would cause a change in the total costs attributed to one or more Standard Services of 5 per cent. or more without the prior written consent of the Director, such consent not to be unreasonably withheld.
- 20B.13 The Licensee shall use its best endeavours to obtain from the Auditor any further explanation and clarification of the reports required under paragraphs 20B.6 and 20B.10 and any other information in respect of the matters which are the subject of the reports as the Director shall reasonably require.
- 20B.14
 - (a) The Licensee shall publish details of the definitions of the Businesses as soon as practicable after the coming into force of this Condition and shall publish details of any amendment to the composition, or any division or aggregation, of a Business as soon as practicable, and in any event within 28 days, after the making of the amendment.
 - (b) The Licensee shall publish details as the Director may direct of the Accounting Documents, as soon as practicable after the Director's direction to do so, and, in any event, within 28 days after that direction, together with any further descriptions of the costs, revenues, assets and liabilities attribution systems used by the Licensee to prepare the Financial Statements, the Restated Financial Statements and the Interim Financial Statements the level of detail of which shall

be agreed in writing between the Director and the Licensee from time to time. Provided that the Licensee shall be entitled to exclude from any details, further descriptions or amendments, as the case may be, which it is obliged to publish in accordance with this paragraph any matter to the exclusion of which the Director shall have consented following representations to him on the matter by the Licensee on the basis that if the matter were made available in accordance with this paragraph it would or might, in the opinion of the Director, seriously and prejudicially affect the interests of the Licensee.

- (c) The Licensee shall publish details of any amendment to the details of the Accounting Documents published in accordance with paragraph 20B.14 (b), as soon as practicable, and in any event within 28 days, after the making of the amendment.
- (d) For the purposes of sub-paragraphs (a) to (c) publication shall be effected by making the required details, further descriptions or amendments, as the case may be, publicly available and by sending copies to the Director.
- (e) The Licensee shall send a copy of each of the required details, further descriptions or amendments, as the case may be, or any of them to any person who may (after the expiry of the period specified in each of sub-paragraphs (a) to (c)) request them, on the basis of that person paying a reasonable charge for them. The Licensee shall send the copies within seven working days after receiving payment of that charge.
- (f) The Licensee shall make available and continue to make available in a publicly accessible part of every Major Office of the Licensee in the place as is required by Condition 16.3 (b) a notice of the address and telephone number of the person to whom any request for a copy of any or all of the required details or amendments may be made.

20B.15 Without prejudice to Condition 18, where the Director is satisfied, on the basis of the most up to date information which has been made available to him at the relevant time, that the Licensee:

- (a) has within the previous six years (excluding any period before the date on which this Condition comes into force) unfairly subsidised or unfairly cross subsidised and has ceased to unfairly subsidise or unfairly cross subsidise but is likely to repeat that unfair subsidy or unfair cross subsidy at any time in the future; or
- (b) is unfairly subsidising or unfairly cross subsidising;

either:

- (i) any or all of the Businesses other than the Residual Business; or

- (ii) any part or parts of any of the Businesses other than the Residual Business where the Director is satisfied that unfair subsidy or unfair cross subsidy, as the case may be, has or could have a material effect on competition in the United Kingdom in relation to the activity to which the unfair subsidy or unfair cross subsidy relates;

or both, it shall take such steps as the Director may direct for the purpose of remedying the situation.

20B.16 The Licensee shall, with the consent of the Director, make such amendments as are from time to time required to:

- (a) the definition of each Business in terms of the revenues, costs and assets comprised in it;
- (b) the number of Businesses for the purposes of this Condition;
- (c) the manner in which each Business may be disaggregated;
- (d) the form and content of:
 - (i) the profit and loss account;
 - (ii) the statement of mean capital employed;
 - (iii) the statements of costs (if any); and
 - (iv) the additional information to be provided by way of notes; comprised in each Financial Statement; or
- (e) the Accounting Documents;

to ensure that they are consistent with, and give effect fully to:

- (aa) modifications of any of the Conditions in Schedule 1 of this Licence;
- (bb) final Orders made under section 16 of the Act;
- (cc) formal undertakings given by the Licensee to the Director following investigations by him into possible contraventions by the Licensee of any of the Conditions in Schedule 1 to this Licence; and
- (dd) directions, consents and determinations given or made by the Director from time to time under any of the Conditions in Schedule 1 of this Licence;

made or given on or after the date on which this Condition comes into force together with, in each case, any published explanations and reasons given by the Director in connection with any of the matters specified in sub-

paragraphs (aa) to (dd) provided that the requirements of this paragraph shall be suspended pending the final disposal of any proceedings seeking to have any such final Orders, directions, consents, or determinations, quashed, set aside, modified or varied.

20B.17 (a) Before giving a direction or consent under this Condition, the Director shall consult with the Licensee and, except in the case of a consent or refusal to consent for the purposes of paragraph 20B.14 (b) or a direction referred to in paragraph 20B.15 (each an "excluded case") Interested Parties. If he concludes that a direction or consent is appropriate, or that a consent is not appropriate, he shall notify the Licensee and (except in an excluded case) Interested Parties of the proposed direction or consent or refusal of consent, as the case may be, and his reasons for proposing to give it or refuse to give consent and give each of them a reasonable opportunity to make representations. On giving a direction or consent or refusing to give consent, he shall notify the Licensee and (except in an excluded case) Interested Parties of the direction or consent or refusal, as the case may be, and his reasons for giving it or refusing consent.

(b) Each notification of reasons shall, as appropriate, set out the Director's reasons:

- (i) for proposing to give the direction or give or refuse consent, as the case may be; or
- (ii) for giving the direction or giving or refusing consent, as the case may be;

those reasons being sufficient to give the Licensee and Interested Parties a reasonable understanding of the proposed decision or decision, as the case may be.

20B.18 (a) Where the Director has reasonable grounds to believe that:

(i) the Licensee has done or is doing any of the things specified in paragraph 20B.15 or Condition 18 or both; or

(ii) the Licensee:

(aa) has within the previous six years (excluding any period before the date on which this Condition comes into force) shown undue preference to, or exercised undue discrimination against, any Operator in respect of the provision or Quality of a Standard Service or Private Circuit or both contrary to the provisions of Condition 17 or Condition 17B or both and has ceased to do so but is likely to repeat that undue preference or undue discrimination at any time in the future; or

- (bb) is showing undue preference or undue discrimination as described in sub-paragraph (a) (ii) (aa); or
- (iii) the Licensee is in breach of this Condition; or
- (iv) any or all of the Accounting Documents, the Financial Statements, the Restated Financial Statements and the Interim Financial Statements are deficient;

the Licensee shall, without prejudice to Condition 52, extend its prompt co-operation to the Director, his representatives and members of his staff and, in particular, on the Director's reasonable request shall:

- (A) furnish the Director in accordance with his reasonable requirements with any information, documents, accounts, estimates, returns, reports or other information (including, without limitation, any facility enabling him to read data not held in readable form);
 - (B) on reasonable notice by him allow at all reasonable times the Director, his representatives and any member of his staff on production of his special authority access to any relevant premises of the Licensee to investigate, assess, examine, review or verify any of its accounting records or accounting and reporting arrangements, systems or processes; and
 - (C) for the purpose of sub-paragraph (B), allow the Director, his representatives and any member of his staff to be accompanied by any person whom the Director may specify, being a person to whom the Licensee has raised no reasonable objection, whose assistance the Director might reasonably require: Provided that the Director has given the Licensee notice (which save in exceptional circumstances shall be of at least 5 working days) of the identity of that person.
- (b) If, as a result of any investigation, assessment, examination or review referred to in sub-paragraph (a), the Director is satisfied that:
- (i) the Licensee has done or is doing any of the things referred to in sub-paragraph (a) (i) to (iii);
 - (ii) any or all of the Accounting Documents, the Financial Statements, the Restated Financial Statements and the Interim Financial Statements are deficient; or
 - (iii) he has insufficient information to conclude whether or not the Licensee has done or is doing any of the things referred to in sub-paragraph (a) (i) to (iii);

he may direct with effect from the date specified in the direction, without prejudice to his other powers under this Licence, that:

- (i) the Licensee shall amend any or all of:
 - (aa) the composition of any or all of the Businesses in terms of any or all of the revenues, costs and assets they respectively comprise;
 - (bb) the manner in which any or all of the Businesses are disaggregated in terms of activities of the relevant Business;
 - (cc) the form and content of any or all of the profit and loss account, the statement of mean capital employed and the additional information to be provided by way of notes comprised in the Financial Statements, the Restated Financial Statements or the Interim Financial Statements of any or all of the Businesses; and
 - (dd) any or all of the Accounting Documents; or
- (ii) the Licensee shall divide any or all of the Businesses to create additional Businesses, or aggregate them to create fewer Businesses;

or both: Provided that any direction given pursuant to this sub-paragraph shall relate to the results of the relevant investigation, assessment, examination or review referred to in sub-paragraph (a) in respect of which the direction is given.

20B.19 This Condition operates without prejudice to Conditions 20 and 20A.

20B.20 In this Condition:

“Accounting Documents” means together the Accounting Policies, the Attribution Methods, the Regulatory Accounting Principles and the Transfer Charging System;

“Accounting Policies” means the manner in which the requirements of the Companies Act 1985, the Accounting Standards and the accounting policies applied by the Licensee in the preparation of its annual statutory financial statements, where relevant and appropriate, are applied in each of the Financial Statements, the Restated Financial Statements and the Interim Financial Statements as agreed in writing between the Director and the Licensee on or before the date on which this Condition comes into force, as amended from time to time in accordance with this Condition;

“Accounting Standards” has the meaning given to it in the Companies Act 1985;

“attributable” includes allocatable and apportionable, “attribute” includes allocate and apportion and “attribution” includes allocation and apportionment;

“Attribution Methods” means the practices used to attribute revenue (including appropriate transfer charges), costs (including appropriate transfer charges), assets and liabilities to a Business or, insofar as that Business has been disaggregated in terms of activities of that Business, to each activity of that Business as agreed in writing between the Director and the Licensee on or before the date on which this Condition comes into force, as amended from time to time in accordance with this Condition;

“Auditing Standards” means United Kingdom auditing standards and guidelines issued from time to time by the Auditing Practices Board and its predecessor body, the Auditing Standards Board;

“Auditor” has the meaning given to it in Condition 20;

“Businesses” means the businesses comprising the revenues, costs and assets as agreed in writing between the Director and the Licensee on or before the date on which this Condition comes into force, as amended in accordance with this Condition and “Business” means any one of them;

“1994 Financial Statements” means together the profit and loss account, the statement of mean capital employed, and the additional information to be provided by way of notes prepared on an historic cost basis for each Business for the financial year ended 31 March 1994, the form and content of which have been agreed between the Director and the Licensee on or before the date on which this Condition comes into force;

“Interested Parties” has the meaning given to it in Condition 16B;

“Major Office” has the meaning given to it in Condition 16;

“Operator” has the meaning given to it in Condition 16B;

“Private Circuit” means a Private Circuit to which Condition 46 relates;

“Quality” has the meaning given to it in Condition 17B;

“Regulatory Accounting Principles” means the principles agreed in writing between the Director and the Licensee on or before the date on which this Condition comes into force, as amended from time to time in accordance with this Condition;

“Residual Business” means the business or businesses of which the revenues, costs and assets are not comprised in any Business as agreed between the Director and the Licensee in accordance with this Condition, as amended from time to time in accordance with this Condition;

“Standard Service” has the meaning given to it in Condition 16B; and

“Transfer Charging System” means the system which enables a Business to use a service or good from another Business and to account for it as though it had purchased that service or good, as agreed in writing between the Director and the Licensee on or before the date on which this Condition comes into force, as amended from time to time in accordance with this Condition.

CONDITION 21

APPARATUS PRODUCTION

- 21.1 If the Licensee is, or before 1 July 1986 becomes, engaged in the business of production of telecommunication apparatus, that business shall, as soon as reasonably practicable and in any event not later than 1 July 1986, be transferred to a Subsidiary of its ("the Apparatus Production Company"), unless it has previously been transferred to some other person; and the Licensee shall not after that date engage in any such business.
- 21.2 The Licensee shall secure that the Apparatus Production Company does not engage in the business of running telecommunications systems.
- 21.3 The Licensee shall secure that the Apparatus Production Company furnishes to the Director as soon as reasonably practicable and in any case not later than six months after the end of each financial year a copy of its annual accounts together with a statement showing the matters which are required to be shown in respect of the Systems Business and the Apparatus Supply Business in equivalent statements under Condition 20.
- 21.4 Unless the Director otherwise agrees, where for the time being:
- (a) the Director determines that the Licensee is a Monopoly Purchaser in the United Kingdom in relation to telecommunication apparatus of any particular description;
 - (b) the Director is of the opinion, after considering any representations from the Licensee, that in the interests of promoting fair competition the Licensee ought not to acquire apparatus of that particular description from the Apparatus Production Company unless it has complied with the open tender procedures specified in paragraph 21.5; and
 - (c) the Director so notifies the Licensee;
- then the Licensee shall not acquire any such apparatus from the Apparatus Production Company for the purpose of its business in the United Kingdom unless it has complied with those procedures in relation to that apparatus.
- 21.5 Compliance with the open tender procedures requires the Licensee, in accordance with a procedure adopted after consultation with the Director from time to time:
- (a) to publish a notice giving particulars of the proposed acquisition of apparatus sufficient for the purposes of this Condition and the date by which it is required and inviting any person to offer to supply that apparatus accordingly; and
 - (b) to give due consideration to any offers made.

21.6 Paragraphs 21.4 and 21.5 shall not apply to the acquisition of telecommunication apparatus:

- (a) for supply outside the United Kingdom;
- (b) which is intended for use by any member of the Licensee's Group other than in the provision of telecommunication services to others;
- (c) which in the opinion of the Director is apparatus which is not normally regarded as telecommunication equipment;
- (d) such that there is no producer in the United Kingdom other than the Apparatus Production company capable of supplying apparatus of that particular kind in the quantities and at the times required;
- (e) of a particular kind which is so different from other apparatus produced in the United Kingdom that compliance with the open tender procedures would place the Licensee or the Apparatus Production Company at an unfair competitive disadvantage; or
- (f) the acquisition of which from the Apparatus Production Company is not in material quantities.

21.7 The Director shall, when exercising his powers under this Condition, have regard insofar as he may do so to the interests of the Licensee, the shareholders in the Licensee and the Licensee's employees, without prejudice to his duties under section 3 of the Act (including his duties towards other persons engaged in the production of telecommunication apparatus).

21.8 Where the Licensee:

- (a) is under an obligation to comply with the open tender procedures in respect of telecommunication apparatus of a particular description; and
- (b) furnishes evidence to the Director that it has ceased to be a Monopoly Purchaser of apparatus of that description;

the Licensee shall at the end of a period of six months after it has furnished that evidence cease to be required to comply with the open tender procedures in respect of that description of apparatus unless the Director has given notice to the Licensee in that period that he is satisfied that the Licensee continues to be a Monopoly Purchaser of apparatus of that description.

21.9 Notwithstanding the provisions of this Condition, the Licensee may engage in:

- (a) research and development;
- (b) production of prototypes or samples;
- (c) production of apparatus exclusively for the purpose of being tested; or
- (d) production of apparatus in quantities which are not substantial or which do not significantly affect competition in commercial activities connected with telecommunications in the United Kingdom;

but where the Licensee is engaged in production of the kind mentioned in sub-paragraphs (b), (c) or (d) above in any financial year it shall as soon as reasonably practicable after the end of that year furnish to the Director a general description of that production sufficient for the purposes of this Condition.

21.10 In this Condition:

“production” in relation to apparatus includes, unless in any case the Director determines otherwise:

- (a) assembly or reassembly of apparatus; and
- (b) refurbishment of apparatus;

at a place where it is not normally connected to a telecommunication system;

“Monopoly Purchaser” in relation to telecommunication apparatus of any description means a person in relation to whom there exists a monopoly situation within the meaning of any of the provisions of section 6 of the Fair Trading Act 1973 in respect of the supply to him of apparatus of that description; and

“telecommunication apparatus of any particular description” means items of telecommunication apparatus, or sets of such items used together, which perform the same or substantially similar functions.

CONDITION 22

PROHIBITION OF PREFERENTIAL TREATMENT

- 22.1 If the Licensee habitually provides any service or makes any arrangement in any Area whereby:
- (a) a person normally engaged in the Systems Business incidentally to the carrying on of that Business:
 - (i) delivers to Served Premises telecommunication apparatus for connection to any of the Applicable Systems; or
 - (ii) connects such apparatus to Network Termination and Testing Apparatus forming part of the Applicable Systems; or
 - (b) a person normally engaged in the Apparatus Supply Business incidentally to the carrying on of that Business:
 - (i) arranges for the installation by the Systems Business of any telecommunication apparatus comprised or to be comprised in any of the Applicable Systems;
 - (ii) arranges for the provision of telecommunication services by the Systems Business by means of or in relation to such apparatus so installed; or
 - (iii) arranges for the provision of Maintenance Services in respect of Limited Maintenance Telecommunication Systems or Limited Maintenance Telecommunication Apparatus supplied by the Licensee or to be so supplied;
- then the Licensee shall take all reasonable steps to ensure to the satisfaction of the Director, if required by him to do so, that a person carrying on a business similar to the Apparatus Supply Business in that Area has a reasonable opportunity to avail himself of that service or to make such arrangements on equivalent charges and terms for the purpose of that person's business.
- 22.2 Where the Licensee is required to do anything under paragraph 22.1 it may impose such additional terms and conditions as are reasonably necessary to protect it in the circumstances of any particular case.
- 22.3 In this Condition "Area" means any of the Licensee's telephone areas for the time being or any other equivalent management unit.

CONDITION 23

ALTERATIONS TO THE APPLICABLE SYSTEMS

23.1 The Licensee shall:

- (a) from time to time inform the Director and provide him with such additional information as he may reasonably require about any proposals for changes to the Applicable Systems or to any apparatus comprised therein or to any stored commands or protocol; and
- (b) inform the Director of any proposals for changes to the means of access to a Relevant Service provided by the Licensee, which Service was previously capable of being accessed by means of an OSI Standard or by any other means, not less than six months before the coming into effect of such proposals;

being in either case changes of which the Director has not already been informed under this Condition and which the Licensee might reasonably anticipate from the facts known to it would or might when made have the effect of requiring any person:

- (i) running any Connectable System which is or is to be connected to the Applicable Systems;
- (ii) connecting telecommunication apparatus to the Applicable Systems; or
- (iii) producing or supplying telecommunication apparatus or telecommunication systems for connection to the Applicable Systems without becoming comprised in them;

materially to modify, or, as the case may be, to replace or cease to produce or supply, any item of telecommunication apparatus connected or to be connected to any of the Applicable Systems or, where the change is of a kind described in sub-paragraph (b), to cease to provide or obtain any service by means of the Applicable Systems.

23.2 The Licensee shall prepare and publish in consultation with the Director a statement of its procedures for consulting, and giving advance notice to, those persons likely to be affected by such changes (including in particular in the case of changes of a kind described in paragraph 23.1 (a) the British Standards Institution and any person appointed by the Secretary of State under section 25 of the Act) and shall adhere to those procedures, and, in the case of changes of a kind described in paragraph 23.1 (b), the statement shall be published by 31 October 1987.

23.3 For the purposes of changes of a kind described in paragraph 23.1 (b), any telecommunication system, and any apparatus comprised in a telecommunication system, which is not connected to an Applicable System

shall be treated as being so connected if it is connected to or comprised in a telecommunication system which is so connected or treated as so connected.

23.4 In this Condition:

“to modify” in relation to any Other Apparatus or System means to make any alteration to that Apparatus or System which may be necessary to ensure that any Message which has been or is to be conveyed by means of any of the Applicable Systems connected or to be connected to that Other Apparatus or System is capable of being properly conveyed by that Other Apparatus or System or by that Applicable System as the case may be;

“Other Apparatus or System” means any telecommunication apparatus or telecommunication system together with any protocol, message format or stored command in such apparatus or system connected or to be connected to but not comprised in any of the Applicable Systems; and

“OSI Standard” has the same meaning as in Condition 40A.

CONDITION 24A

CONTROL OF GENERAL PRICES

24A.1 The Licensee shall take all reasonable steps to secure that, during any Relevant Year, the amount of General Prices remains such that:

- (a) if the Controlling Percentage for that Year (determined in accordance with paragraphs 24A.3 to 24A.5 and, if appropriate, adjusted in accordance with paragraphs 24A.10 and 24A.11) is zero or positive, any Percentage Change which has taken place in the aggregate of all General Prices (determined and calculated, on a weighted basis, in accordance with paragraphs 24A.6 and 24A.7) at the end of each Period does not constitute an increase by more than the Controlling Percentage; or
- (b) if that Percentage is negative, there is no Percentage Change in General Prices by way of increase and before the end of that year there is such a Change by way of reduction of not less than that percentage.

24A.1A Where, for the purpose of complying with this Condition 24A, the Licensee is required to reduce its General Prices in any Relevant Year (not being the Relevant Year beginning on 1 August 1993 and ending on 31 July 1994) the Licensee shall take all reasonable steps to ensure that the combined effect on accrued income of the Licensee of all individual changes in General Prices shall be not less than that which would have been produced had all of those changes been made at exactly the same time and no later than on 1 November in that Year, and accordingly 1 November in that year shall be the latest weighted average date (within the meaning of paragraph 24A.1B below) in that Year for the purposes of the making of reductions in General Prices. For the purpose of establishing whether or not the Licensee has complied with the obligation imposed on it by this paragraph 24A.1A a calculation shall be carried out by employing the formula set out in paragraph 24A.1B below.

24A.1B The formula mentioned in paragraph 24A.1A above is:

$$WAD = \sum_{i=1}^n \frac{R_i}{RC} \times D_i \leq 0$$

Where:

WAD = the weighted average date.

R_i = the revenue change associated with the i th price change made in the Relevant Year.

RC = the total revenue change required in the Relevant Year to achieve compliance with this Condition 24A.1.

D_i = the date on which the i th price change takes effect expressed as a numeric entity on a scale ranging from 1 August = -92 to 31 July = 272, except in a Leap Year when 31 July = 273.

24A.1C To the extent that the licensee has made, during any Relevant Year, any reductions in General Prices beyond those necessary for compliance with this Condition 24A, those reductions shall be relevant in applying paragraph 24A.1A and paragraph 24A.1B to price changes in the Relevant Year immediately following the Relevant Year in which those reductions are made. In applying the formula referred to in paragraph 24A.1B to such changes, subject to paragraph 24A.1D, that formula shall apply with the meaning of D_i amended as follows:

D_i = the date on which the i th price change takes effect expressed as a numeric entity on a scale ranging from 1 August = -457 to 31 July = -93, except in a leap year, when 1 August = -458

24A.1D If, in relation to any reduction in General Prices to which paragraph 24A.1C applies, the Director is of the opinion that D_i should not equal the date on which that price change takes effect as described in that paragraph, but should equal 1 August in the immediately following Relevant Year (expressed as a numeric entity where 1 August = -92), he shall so notify the Licensee as soon as practicable after receipt by the Director of notification by the Licensee of the price change and the Director shall include in his notification the reasons for his opinion. Where the Director has given such a notification the formula referred to in paragraph 24A.1B shall apply with D_i = -92 to any reduction in General Prices to which that notification applies.

24A.1E Where the Licensee decides that a charge (or group of charges) for any of the things mentioned in the definition of General Prices is to be offered only:

- (a) as part of a Standard Price in combination with another such charge (or group of charges) or with an additional periodic fee; and
- (b) in two or more such Standard Price combinations,

the Licensee shall nominate one charge (or group of charges) in such Standard Price combinations (including the fee, if any) to be the General Price for the purposes of this Condition (the "Reference Price"). Except in the case of business and residential calls where the Director may consent to a lower fixed minimum charge for residential calls, the Licensee may nominate only one Reference Price (or group of Reference Prices) to be the General Price for the relevant business and residential calls, one for the use and Ordinary Maintenance of residential Exchange Lines and one for the use and Ordinary Maintenance of business Exchange Lines. The Licensee shall offer the Reference Price for calls in combination with the Reference Price for the use and Ordinary Maintenance of business Exchange Lines and in

combination with the Reference Price for the use and Ordinary Maintenance of residential Exchange Lines.

- 24A.2 Where, notwithstanding the obligation imposed on the Licensee by paragraph 24A.1, (or paragraph 24A.1 of the Condition 24A having effect on 31 July 1993) there has taken place a change in General Prices (or "Relevant Prices" as defined in that Condition 24A which are also General Prices) of a kind not permitted under paragraph 24A.1 (a) or (b) (or paragraph 24A.1 (a) or (b) of the Condition 24A having effect on 31 July 1993), the Licensee shall make adjustments in General Prices sufficient to satisfy the Director that the matter has been remedied.
- 24A.2A Where notwithstanding the obligation imposed on the Licensee by paragraph 24A.1A the effect on accrued income of the changes in General Prices referred to in that paragraph fails, in the opinion of the Director, to meet the requirements of that paragraph, the Licensee shall make such further reductions in General Prices as may be reasonably required to satisfy the Director that the matter has been remedied.
- 24A.3 Subject to paragraphs 24A.4, 24A.5, 24A.10 and 24A.11 the Controlling Percentage in relation to any Relevant Year is the amount of the change in the Retail Prices Index in the period of 12 months ending on 30 June immediately before the beginning of that Year, expressed as a percentage (rounded to two decimal places) of that Index as at the beginning of that period, reduced by 7.5.
- 24A.4 If the difference between General Prices charged at the beginning and at the end of any Relevant Year is such that the relevant Percentage Change in General Prices is less (in the case of a permitted increase), or greater (in the case of a required reduction), than the change permitted, or required, in accordance with paragraph 24A.1, then the Controlling Percentage for the following Relevant Year shall be determined in accordance with paragraph 24A.3 but increased subject to paragraph 24A.5 by the amount of such deficiency or excess (as the case may be).
- 24A.5 The Controlling Percentage for the Fourth Relevant year shall only be increased by virtue of paragraph 24A.4 to the extent that such an increase would have been permitted if that paragraph had not applied to increase the Controlling Percentage for the second such year.
- 24A.6 The amount of a Percentage Change in General Prices which has taken place at any time during a Relevant Year is determined by taking the amount of the change in each General Price which has taken place between the beginning of the Relevant Year and that time, multiplying that amount by the amount of the revenue reasonably believed by the Licensee to have accrued during the Relevant Financial Year in respect of the service for which that Price is charged, dividing in each case the amounts so produced by the price charged at the beginning of the Relevant Year for the service to which each such amount relates, and taking the aggregate of the results,

expressed as a percentage of all the revenue reasonably believed to have accrued for such services during the Relevant Financial Year.

24A.7 Notwithstanding paragraph 24A.6, if the Licensee has notified the Director in writing both of its intention to increase during a Period one or more General Prices and of its intention within three months of the first such increase to reduce one or more General Prices then, unless:

- (a) the Director dissents within 28 days of such notification on the ground that undue advantage is being taken of this paragraph; or
- (b) the reduction as so notified is not introduced;

for the purposes of paragraph 24A.6 when determining the amount of a Percentage Change which has taken place at the end of the said Period and each subsequent Period it shall be assumed that any such reduction had taken place during the first mentioned Period.

24A.8 Where the Licensee makes a material change (other than as to the amount of a General Price) in any service for which a General Price is charged or in the date on which its financial year ends or there is a material change in the basis of the Retail Prices Index, this Condition shall have effect subject to such reasonable adjustment to take account of the change as the Director may, after consultation with the Licensee, determine to be appropriate in the circumstances; and for the purposes of this paragraph a material change in any service includes the introduction of a new service wholly or substantially in substitution for that existing service.

24A.9 Subject to this paragraph this Condition shall not have effect in relation to a new service, the charges for which would otherwise be General Prices, other than a new service to which paragraph 24A.8 applies. In relation to a new service other than one to which paragraph 24A.8 applies the Director may, after consultation with the Licensee, in any Relevant Year during which it is first possible, from the Relevant Financial Year accounts, to ascertain 12 months actual revenue in respect of that service accrued in relation to that Relevant Financial Year, determine that the charges for that service shall in the subsequent year be General Prices and this Condition shall, from that subsequent Relevant Year, apply accordingly.

24A.10 If the Licensee imposes a specific charge or an increased charge in relation to any goods or service which up to the time when the charge or increased charge is first imposed had been provided without charge or at a lower charge and the Director determines after consultation with the Licensee that some or all the costs properly attributable to that service had previously been attributed to services to which General Prices apply and that it would be proper in the circumstances for the newly introduced or increased charge to be controlled, that charge shall, unless the Director determines otherwise, be a General Price and this Condition shall have effect subject to the following provisions:

- (a) the Licensee shall produce a forecast of the revenue expected to accrue as a result of the charge or increased charge for the goods or service over a period of twelve months from the date of introduction or increase of the charge;
- (b) the forecast shall be expressed as a percentage of the total amount of revenue reasonably believed by the Licensee to have accrued in respect of General Prices during the Relevant Financial Year which relates to the Relevant Year during which the charge is introduced or increased;
- (c) the Controlling Percentage for that Relevant Year shall be reduced by that percentage;
- (d) an adjustment shall be made to the Controlling Percentage for that Relevant Year in respect of which it is first possible, from the Relevant Financial Year accounts, to take into account a comparison between the first 12 months' actual accrued revenue from the charge and the forecast referred to in sub-paragraph (a) above, whereby the Controlling Percentage for that Relevant Year shall be increased or reduced (as the case be) by the difference between the forecast amount referred to in sub-paragraph (a) and the amount of actual accrued revenue (the difference to be expressed as a percentage of the total amount of revenue accrued in respect of General Prices during the Relevant Financial Year which relates to that Relevant Year);
- (e) further adjustments shall be made to the Controlling Percentage referred to in sub-paragraph (d) and adjusted as specified therein:
 - (i) where there is any difference between the forecast referred to in sub-paragraph (a) and the actual accrued revenue referred to in sub-paragraph (d), in order to compensate for the extent to which, by virtue of that difference, General Prices in previous Relevant Years have been too high or too low (as the case may be); and
 - (ii) where there has been any variation in the charge for the service between the Relevant Year referred to in sub-paragraph (b) and the Relevant Year referred to in sub-paragraph (d) which the Director, after consultation with the Licensee, determines should be taken into account for the purposes of calculating the Controlling Percentage;
- (f) The adjustments referred to in sub-paragraphs (d) and (e) shall be made in the precise manner which the Director determines to be appropriate in the circumstances, after consultation with the Licensee.

24A.11 If the charge or increased charge for any goods or service covered by paragraph 24A.10 is altered following its introduction but before the adjustment referred to in paragraph 24A.10 (d) can be made then, in respect

of that charge, in calculating the amount of a Percentage Change in General Prices in paragraph 24A.6, the forecast set out in paragraph 24A.10 (a) shall be substituted for the amount referred to in paragraph 24A.12 (a).

24A.12 The Licensee shall no later than the time at which it notifies or should have notified under Condition 16 the Director of any amendment of any charge which is a General Price inform the Director in writing of:

- (a) the amount of revenue which the Licensee reasonably believes to have accrued in the Relevant Financial Year for each service in respect of which a General Price is charged; and
- (b) the amount of each General Price at the beginning of the Relevant Year.

24A.13 Without prejudice to its obligations under Condition 16 in relation to General Prices, the Licensee shall as soon as practicable after the end of each Period in which there has been a change in a General Price inform the Director in writing of:

- (a) the changes made or new charges imposed in relation to any General Price during the Period specifying its nature and amount and the service for which the Price is charged; and
- (b) the amount of the Percentage Change in General Prices which has taken place during the Period and whether by way of increase or reduction.

24A.14 Notwithstanding any of the earlier paragraphs of this Condition the Licensee shall take all reasonable steps to secure that no individual General Price increases during any Relevant Year by more than the amount of the change in the Retail Prices Index in the period of 12 months ending on 30 June immediately before the beginning of that Year, expressed as a percentage (rounded to two decimal places) of that Index as at the beginning of that period. The obligation imposed by this paragraph 24A.14 does not apply to:

- (a) charges for calls in accordance with Condition 24D (Residential Low User Scheme); or
- (b) charges for International Calls over routes determined, after consultation with the Licensee, by the Director. Where such a determination is made the Licensee shall ensure that the charges in question do not increase during any Relevant Year by more than the amount of the change in the Retail Prices Index in the period of 12 months ending on 30 June immediately before the beginning of that year, expressed as a percentage (rounded to two decimal places) of that Index as at the beginning of that period, increased by 5; or
- (c) charges for calls to be conveyed by a Relevant Connectable System, the operator of which is entitled to receive from the Licensee charges

for the conveyance of those calls or for any other service provided by means of that System, of an amount which is greater than the amount which the Licensee would be entitled to receive (in the absence of the exercise by the Director of the power conferred on him by Condition 13.5A.5 (Access Deficit Contribution "waiver") pursuant to the relevant provisions of Condition 13 if the conveyance or the provision of other services to which the operator's charge relates had been by means of the Applicable Systems, in which case the Licensee shall be entitled to increase its charges to its customers in respect of such calls so as to recover the difference between those two amounts; or

- (d) all periodic charges imposed by the Licensee for the use and Ordinary Maintenance of an Exchange Line.

24A.15 In this Condition:

"Discounted General Prices" means prices which are charged as part of a Package (as defined in Condition 24C.8) or as part of a Standard Price combination of the type described in Condition 24C.2 (b) (not including Reference Prices) and which, if they were not so charged, would be General Prices;

"General Prices" means (being in all cases the Licensee's Standard Prices):

- (a) all periodic charges imposed by the Licensee for the use and Ordinary Maintenance of an Exchange Line;
- (b) all charges imposed by the Licensee for the connection or taking over of an Exchange Line;
- (c) all charges imposed by the Licensee on a person for the conveyance by means of such Exchange Lines of voice telephony messages from a place within the Licensed Area to any other place (whether or not within the Licensed Area), excluding charges, whether paid in cash or by credit card or debit card or token or otherwise, in respect of calls from Public Call Boxes, and calls from Private Call Boxes where the charge to the renter is based on charges for calls from Public Call Boxes published by the Licensee in accordance with Condition 16, and transferred charges in respect of calls from Call Boxes; and
- (d) all charges imposed by the Licensee for the facility of transferring, with assistance from a human operator, charges for the conveyance of the voice telephony messages referred to in paragraph (c) above, except where a transfer relates to any charge excluded by that paragraph;

other than:

- (i) charges for Private Circuits or International Private Circuits or charges of any kind payable by persons running Relevant Connectable Systems;
- (ii) charges for special or priority or emergency maintenance or Fault Repair Services of any kind;
- (iii) charges for the conveyance of voice telephony messages in relation to any services provided by means of the Licensee's public switched telephone network which form, or if provided by the Licensee would form, part of its Supplemental Services Business or charges for the conveyance of voice telephony messages which are to be conveyed to customers of the Operator of a Relevant Connectable System except in any case where that Operator is a fixed link Operator;
- (iv) charges for any service of a kind provided under Condition 12;

and each discrete charge of any such description shall be treated as a separate General Price;

"fixed link Operator" means a public telecommunications operator who runs a public telecommunication system the Licence to run which does not authorise the provision of a Land Mobile Radio Service;

"Land Mobile Radio Service" has the same meaning as in Condition 18;

"Ordinary Maintenance" means maintenance which is part of the service provided by the Licensee in consideration of the quarterly Exchange Line rental and includes normal fault repair, as defined in the Licensee's standard terms and conditions;

"Period" means a calendar month or such longer period as the Director may determine;

"Relevant Year" means any of the four periods of 12 months beginning on 1 August starting with 1 August 1993 and ending on 31 July 1997;

"the Relevant Financial Year" means in relation to a Relevant Year the financial year of the Licensee ending last before the beginning of the Relevant Year, being a financial year in respect of which annual accounts have been prepared and audited in accordance with the requirements of the Companies Act 1985;

"Retail Prices Index" means the index of retail prices compiled by Her Majesty's Government in respect of all items;

"Standard Price" means any price charged or offered by the Licensee otherwise than in relation to a Package (as defined in Condition 24C.8);

Any reference to "service" which is not part of the expression "goods or service" shall be taken to include a reference to goods for the purposes of paragraphs 24A.10 and 24A.11.

References to accrued revenue are references to the revenue attributable to General Prices but with the addition of the revenue attributable to Discounted General Prices where the revenue is grossed up so as to leave the discount out of account (or grossed down where the revenue is greater than that attributable to the relevant General Price), and cognate expressions shall be construed accordingly.

- 24A.16 This Condition shall not apply to such extent as the Director may determine upon request by the Licensee.

CONDITION 24B

CONTROL OF PRIVATE CIRCUIT PRICES

- 24B.1 The Licensee shall take all reasonable steps to ensure that, during any Relevant Year, the amount of Private Circuit Prices remains such that:
- (a) if the Controlling Percentage for that Year (determined in accordance with paragraphs 24B.3 to 24B.5 and, if appropriate, adjusted in accordance with paragraphs 24B.10 and 24B.11) is zero or positive, any Percentage Change which has taken place in the aggregate of all the Private Circuit Prices to which paragraph 24B.3 (a) (b) or (c) respectively apply (determined and calculated, on a weighted basis, in accordance with paragraphs 24B.6 and 24B.7) at the end of each Period does not constitute an increase by more than the Controlling Percentage applicable to the Private Circuit Price or Prices in question; or
 - (b) if that Percentage is negative, there is no Percentage Change in Private Circuit Prices by way of increase and before the end of that Year there is such a Change by way of reduction of not less than that percentage.
- 24B.2 Where, notwithstanding the obligation imposed on the Licensee by paragraph 24B.1 there has taken place a change in Private Circuit Prices of a kind not permitted under paragraph 24B.1 (a) or (b), the Licensee shall make adjustments in Private Circuit Prices sufficient to satisfy the Director that the matter has been remedied.
- 24B.3 Subject to paragraphs 24B.4, 24B.5, 24B.10 and 24B.11 the Controlling Percentage in relation to any Relevant Year is as follows:
- (a) as regards the aggregate of Private Circuit Prices (except Prices in respect of International Private Circuits) where the circuit involved is presented on an analogue basis, the amount of the change in the Retail Prices Index in the period of 12 months ending on 30 June, immediately before the beginning of that Year, expressed as a percentage (rounded to two decimal places) of that Index as at the beginning of that period and, as regards any individual such Private Circuit Price, the amount of such change, increased by 2;
 - (b) as regards the aggregate of Private Circuit Prices (except Prices in respect of International Private Circuits) where the circuit involved is presented on a digital basis, the amount of the change in the Retail Prices Index in the period of 12 months ending on 30 June immediately before the beginning of that Year, expressed as a percentage (rounded to two decimal places) of that Index as at the beginning of that period and, as regards any individual such Private Circuit Price, the amount of such change, increased by 1;

- (c) as regards the aggregate of Private Circuit Prices in respect of International Private Circuits only, the amount of the change in the Retail Prices Index in the period of 12 months ending on 30 June immediately before the beginning of that Year, expressed as a percentage (rounded to two decimal places) of that Index as at the beginning of that period and, as regards any individual such Private Circuit Price, where the circuit involved is presented on an analogue basis, the amount of such change, increased by 2 and, where the circuit involved is presented on a digital basis, the amount of such change, increased by 1.

24B.4 If the difference between Private Circuit Prices charged at the beginning and at the end of any Relevant Year is such that the relevant Percentage Change in Private Circuit Prices is less (in the case of a permitted increase), or greater (in the case of a required reduction), than the change permitted, or required, in accordance with paragraph 24B.1, then the Controlling Percentage for the following Relevant Year shall be determined in accordance with paragraph 24B.3 but increased subject to paragraph 24B.5 by the amount of such deficiency or excess (as the case may be).

24B.5 The Controlling Percentage for the Fourth Relevant Year shall only be increased by virtue of paragraph 24B.4 to the extent that such an increase would have been permitted if that paragraph had not applied to increase the Controlling Percentage for the second such Year.

24B.6 The amount of a Percentage Change in the relevant set of Private Circuit Prices which has taken place at any time during a Relevant Year is determined by taking the amount of the change in each relevant Private Circuit Price which has taken place between the beginning of the Relevant Year and that time, multiplying that amount by the amount of the revenue reasonably believed by the Licensee to have accrued during the Relevant Financial Year in respect of the service for which that Price is charged, dividing in each case the amounts so produced by the price charged at the beginning of the Relevant Year for the service to which each such amount relates, and taking the aggregate of the results, expressed as a percentage of all the revenue reasonably believed to have accrued for such services during the Relevant Financial Year.

24B.7 Notwithstanding paragraph 24B.6, if the Licensee has notified the Director in writing both of its intention to increase during a Period one or more Private Circuit Prices and of its intention within three months of the first such increase to reduce one or more Private Circuit Prices then, unless:

- (a) the Director dissents within 28 days of such notification on the ground that undue advantage is being taken of this paragraph; or
- (b) the reduction as so notified is not introduced;

for the purposes of paragraph 24B.6 when determining the amount of a Percentage Change which has taken place at the end of the said Period and